

Message Text

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PASS AID/ASIA/BIS

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TAGS: EAID, EAGR, BG
SUBJECT: BANGLADESH AID GROUP: BDG MEMORANDUM

REFS: A. DACCA 3055, B. DACCA 3096, C. DACCA 3097

1. SUMMARY. THIS MESSAGE SUMMARIZES BDG MEMORANDUM FOR THE BANGLADESH AID GROUP, 1977-78, WHICH CALLS FOR 1.6 MILLION METRIC TONS OF FOODGRAINS VALUED AT DOLS 295 MILLION; DOLS 315 MILLION IN COMMODITY AID; AND DOLS 350 MILLION PROJECT ASSISTANCE. BDG FOOD AND COMMODITY REQUESTS ARE SLIGHTLY LOWER THAN FIGURES IN IBRD REPORT. WE BELIEVE MEMORANDUM OVERSTATES 1976/77 AID UTILIZATION AND PROJECT IMPLEMENTATION PERFORMANCE. END SUMMARY.

2. BDG MINISTRY OF PLANNING'S 1977-78 MEMORANDUM FOR THE BANGLADESH AID GROUP REVIEWS THE ECONOMIC SITUATION, SETS FORTH THE ANNUAL DEVELOPMENT PLAN, AND THE BALANCE OF PAYMENTS AND AID REQUIREMENTS FOR 1977-78; AND OFFERS MEDIUM-TERM OUTLOOK FOR THE ECONOMY. IN ADDITION, THE STATISTICAL APPENDICES PRESENT BASIC ECONOMIC DATA, SUMMARIZE AID COMMITMENTS AND DISBURSEMENTS BY DONOR FOR JULY 1976-FEBRUARY 1978 AND OFFER A 1977-78 FOOD-

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GRAIN FORECAST, DIFFERING SOMEWHAT FROM ALL OTHERS. (WE HAVE POUCHED OUR SINGLE SPARE COPY OF THE MEMORANDUM TO AID/ASIA/BIS.) A SECOND PAPER ON RURAL DEVELOPMENT IN BANGLADESH WAS ALSO RELEASED JUNE 9 FOR THE AID GROUP MEETING (SEPTTEL).

3. REVIEW OF THE ECONOMIC SITUATION. (A) GDP GREW

AROUND 3 PC IN 1976-77 (OVER 1975/76). (NOTE. ALL YEARS ARE BDG FISCAL YEARS WHICH BEGIN JULY FIRST.) FOOD-GRAIN OUTPUT FELL ONE MILLION METRIC TONS (MMT) BELOW THE 13 MMT TARGET AS RESULT FLOOD, DROUGHT, INCREASED INPUT PRICES (TOGETHER WITH LOW FOODGRAIN PRICE) AND LOW

GANGES RIVER FLOWS BECAUSE OF FARAKKA DIVERSION. PRODUCTION OF CROPS INCREASED WITH FAVORABLE PRICES. INDUSTRIAL OUTPUT ROSE 9 PERCENT(PC); SERVICES 7 PC; (B) ANNUAL DEVELOPMENT PLAN (ADP) EXPENDITURES FOR 1976-77 ARE SCALED DOWN TO TAKA 10 BILLION (REVISED ESTIMATE-RE) FROM THE TAKA 1.1 BILLION BUDGET ESTIMATE. TOTAL REVENUE COLLECTIONS ROSE 13.6PC OVER 75/76 (RE), WITH THE INCREASE ATTRIBUTED TO HIGHER COLLECTIONS ON DOMESTIC OUTPUT AND INCOME. (1976-77 CUSTOMS DUTIES, THE LARGEST SINGLE TAX SOURCE, AND DEPENDENT ON FOREIGN AID WERE BELOW TARGET.) PRIVATE INVESTMENT PICKET UP; (C) PRICES ROSE 3.4PC FROM JULY 1976 TO MARCH 1977; THE MONEY SUPPLY (NARROWLY DEFINED, I.E. M1) ROSE 14PC. TO CHECK FOODGRAIN PRICE RISES FOLLOWING THE FLOOD-RELATED BORO CROP LOSSES, BDG STARTED IN LATE MARCH OPEN MARKET SALES OF RICE IN DACCA; (D) BALANCE OF PAYMENTS POSITION WAS SATISFACTORY; EXPORTS ROSE 8PC; IMPORTS DECLINED 25PC (BY VALUE) AND THE TRADE GAP NARROWED FROM MINUS DOLS 894 MILLION (75-76) TO MINUS 548 IN 76-77. FOREX RESERVES ARE ESTIMATED TO RISE IN 76-77 BY DOLS 43 MILLION TO 256 MILLION AT END-JUNE 1977.

4. DEVELOPMENT PROGRAM AND STRATEGY, 1977-78. (A)
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GDP IS PROJECTED TO GROW 7PC IN 1977-78 OVER 1976-77, WITH AGRICULTURAL PRODUCTION TO INCREASE 8PC (FOODGRAINS UP 10PC; JUTE 27PC); MANUFACTURING UP 7PC AND SERVICES 9PC OVER 1976/77. THE AMBITIOUS AGRICULTURE INCREASE ASSUMES NORMAL WEATHER AND EXPANDED INPUT DISTRIBUTION; (B) ADP (PUBLIC SECTOR DEVELOPMENT, EXPENDITURES) FOR 1977-78 ARE SET AT TAKA 11.5 BILLION (NET), 14PC ABOVE THE REVISED FIGURE OF 10.1 BILLION FOR 1976/77 AND EQUIV TO 13PC OF GDP COMPARED TO 11PC IN 75-76 AND 76-77. IN ADDITION, TAKA 400 MILLION (250,000 TONS OF GRAIN) WILL BE SPENT ON FOOD FOR WORK PROJECTS. THE ADP IS TO BE FINANCED AS FOLLOWS:

READING IN COLUMNS OF THREE
(TAKA BILLIONS): 1976-77(REVISED ESTIMATE) 1977-78(BUDGET ESTIMATE)
DOMESTIC RESOURCES: 2.2 2.92
FOREIGN ASSISTANCE 7.86 8.58
OF WHICH:
PROJECT AID 2.5 3.4

COUNTERPART FUNDS 5.36 5.18
FROM FOOD AND COMMODITY AID. --- ---
TOTAL 10.06 11.5

(C) ADP SECTORAL BREAKDOWN. TRANSPORT IS TO RECEIVE THE LARGEST SHARE (15.7PC) FOLLOWED BY AGRICULTURE (13.2), INDUSTRIES (12.8), FLOOD CONTROL AND WATER RESOURCES (11.7), AND POWER (10.9). ALL OF THE ABOVE ARE TO RECEIVE SMALLER PROPORTIONS OF THE TOTAL DEVELOPMENT PLAN EXPENDITURES IN 77-78 AND IN 1976-77 EXCEPT POWER. FAMILY PLANNING AND POPULATION CONTROL IS TO RISE FROM TAKA 216 MILLION (2.2PC) 1976-77 TO TAKA 320 MILLION (2.5PC) IN 1977-78. THIS IS A 48PC INCREASE. THE MAJOR GOAL IS TO QUOTE INCREASE OUTPUT OF FOOD CROPS WITH A VIEW TO CLOSING THE FOOD NUTRITIONAL GAP UNQUOTE. AMONG THE WAYS IDENTIFIED TO ACHIEVE THIS OBJECTIVE ARE EXPANSION OF HYV AND QUOTE PRICE SUPPORT FOR PRO-LIMITED OFFICIAL USE

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TECTING THE FARMERS' REAL INCOME AND INCENTIVES UNQUOTE AND QUOTE INCREASING ACCESS OF SMALL AND LANDLESS FARMERS TO RESOURCES UNQUOTE. FERTILIZER DISTRIBUTION ESTIMATE AT 485,000 TONS IN 1976-77 IS TO RISE TO 600,000 IN 1977-78. PESTICIDE DISTRIBUTION (EXCEPT AERIAL SPRAYING) IS TO BE TURNED OVER TO THE PRIVATE SECTOR (SEE DACCA A-23 FEBRUARY 11, 1977) DISTRIBUTION OF HYV SEEDS IS TO BE INCREASED; HYV ACREAGE AND IRRIGATION FACILITIES INCREASED; AND AGRICULTURE CREDIT EMPHASIZED. THE PROCUREMENT PRICE FOR RICE QUOTE WILL BE KEPT UNDER CONSTANT REVIEW TO MAINTAIN A DESIRED BALANCE BETWEEN RICE AND RICE PRICES UNQUOTE. (RURAL DEVELOPMENT IS COVERED IN A SEPARATE TELEGRAM.) FOOD FOR WORK PROGRAMS USED A TOTAL OF 200,000 TONS OF GRAIN IN 1976-77 AND ARE TARGETED AT 250,000 IN 1977-78. THE POLICY OF QUOTE ASSIGNING A GREATER ROLE TO THE PRIVATE SECTOR IN DEVELOPMENT, PARTICULARLY IN INDUSTRY, WILL CONTINUE UNQUOTE. TOWARD THE TWO-YEAR (1976-1978) PRIVATE INDUSTRIAL INVESTMENT TARGET OF TAKA 1,910 MILLION, SOME 475 MILLION WAS ACTUALLY INVESTED FROM JULY 1976 TO MARCH 1977, AND THE FIGURE IS ESTIMATED AT TAKA 800 MILLION THROUGH JUNE 1977. TO ENCOURAGE FOREIGN PRIVATE INVESTMENT, THE BDG HAS AGREED QUOTE TO EXTEND RIGHTS AND PRIVILEGES REGARDING REPATRIATION OF FOREIGN PRIVATE INVESTMENT AS PER IFC'S (INTERNATIONAL FINANCE CORPORATION) ARTICLES OF AGREEMENT. IN POPULATION CONTROL, THE TARGET IS TO INCREASE

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THE CONTRACEPTIVE USE RATE TO 13.2 PC OF FERTILE COUPLES FROM THE ESTIMATED 8PC IN 1976-77; (D) MONETARY AND RICE POLICY. THE STABILIZATION PROGRAM WILL CONTINUE IN 77-78. DEFICIT FINANCING BY THE GOVERNMENT QUOTE WILL BE AVOIDED UNQUOTE. ALSO, QUOTE THE GOVERNMENT HAVE DECIDED TO PHASE OUT FOOD AND OTHER CONSUMER-SUBSIDIES UNQUOTE AND QUOTE THE PRICES OF SOME RATIONED ITEMS HAVE ALREADY BEEN INCREASED WITH A VIEW TO REDUCING THE DIFFERENCE BETWEEN THE RATIONED PRICE AND THE OPEN-MARKET PRICE AND FURTHER REDUCTIN OF SUBSIDIES MAY BE CONSIDERED UNQUOTE; (E) FOOD. TO BUILD STOCKS TO ONE MILLION METRIC TONS (MMT) BY JUNE 30, 1978 (QUOTE A TARGET WHICH WAS ENDORSED IN THE EARLIER AID GROUP MEETINGS UNQUOTE), AND TO PROVIDE FOR OFFTAKES OF 1.76 MMT, 500,000 MT IS TO BE PROCURED DOMESTICALLY AND 1.6 MMT WILL HAVE TO BE IMPORTED IN 1977-78. IMPORTS OF 700,000 MT ARE IN THE PIPELINE AND EXPECTED TO ARRIVE FROM JULY-DECEMBER 1977. TO ENSURE AN UNINTER- RUPTED FOOD PIPELINE FOR THE JULY-DECEMBER 1978 PERIOD, COMMITMENTS IN 1977-78 OF 2.0 MMT ARE NSJESSARY. QUOTE STORAGE CAPACITY WILL NOT BE A PROBLEM UNQUOTE; (F) DEVELOPMENT ADMINISTRATION, PLANNING AND PROJECT IMPLEMENTATION QUOTE HAVE REMAINED A PROBLEM AREA UN-

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QUOTE DESPITE NUMEROUS BDG MEASURES TO FILL MIDDLE-LEVEL POSTS AND PROVIDE MANAGEMENT TRAINING. QUOTE RECENTLY THE GOVERNMENT HAVE SIGNED

A CONTRACT WITH THE U.S. AID FOR TECHNICAL ASSISTANCE
FOR IDENTIFICATION AND FORMULATION OF PROJECTS IN
PRIORITY SECTORS UNQUOTE.

5. BALANCE OF PAYMENTS AND AID REQUIREMENTS FOR
1977-78. (A) MERCHANDISE IMPORTS FELL FROM DOLS 1,275
MILLION IN 1975-76 TO AN ESTIMATED 960 MILLION IN
1976-77, BUT ARE PROJECTED TO RISE TO 1,329 MILLION IN
77-78. FOOD AND FERTILIZER ARE THE BIGGEST SWING
ITEMS. EXPORT PERFORMANCE WAS GOOD WITH THE ESTIMATED
VALUE OF SHIPMENTS RISING FROM DOLS 381 MILLION (75-76)
TO 412 MILLION (76-77) TO A PROJECTED 431 MILLION IN
77-78. THE BALANCE OF PAYMENTS TABLES FOLLOWS (ALL
FIGURES DOLLARS MILLIONS):
READING IN COLUMNS OF THREES:

-- 1976-77 PROVISIONAL ESTIMATE 1977-78 PROJECTION
IMPORTS (C.I.F.) -960 -1329
EXPORTS (F.O.B) 412 431
SERVICES
A. PAYMENTS -93 -113
B. RECEIPTS 103 110
CURRENT ACCOUNT BALANCE -538 -901
CAPITAL, TRANSFER AND OTHER LOAND/GRANT 574 820
A. FOOD 135 275
B. COMMODITY 229 315
C. PROJECT 160 230
HJD. CASH 50 -
DEPT PAYMENT -42 -25
A. LONG-TERM -20 -25
B. SHORT-TERM -22 -
PRIVATE TRANSFERS 46 50
IMF ACCOUNT
A. DRAWINGS 46 28
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B. PAYMENTS -43 -51
CHANGE IN NET RESERVES -43 79
(A NEGATIVE SIGN INDICATES AN INCREASE)

(B) AID DISBURSEMENTS (DOLLARS MILLIONS):
READING IN COLUMNS OF FIVES
CATEGOR 1974-75 1975-76 1976-77(ESTIMATE) 1977-78(PROJECTION)
FOOD 264 307 135 275
COMMODITY 361 369 229 315
PROJECT 140 129 160 230
CASH 100 30 50 -
TOTAL 865 835 574 820

(C) FY 1978 PIPELINE AND COMMITMENTS SOUGHT (DOLLARS
MILLIONS):

READING IN COLUMNS OF FIVES:

-- FOOD COMMODITY PROJECT TOTAL

PIPELINE 70 350 1120 1540

(JULY FIRST, 1977)

NEW COMMITMENTS REQUIRED 295 315 350 960

DISBURSEMENT 275 315 230 820

A. FROM PIPELINE 70 245 230 545

B. FROM NEW COMMITMENTS 205 70 - 275

PIPELINE 900 350 1240 1680

(JULY FIRST, 1978)

(D) PROBLEMS OF PROJECT AID DISBURSEMENT. QUOTE THE POSITION WITH REGARD TO PROJECT AID DISBURSEMENT IS THAT IN THE PORTFOLIO OF AIDED PROJECTS THE NUMBER OF NEW (COMMITTED) PROJECTS HAS INCREASED SUBSTANTIALLY AND DELAY IN FINALIZATION OF AGREEMENTS WITH DONORS, RECRUITMENT OF PROJECT STAFF AND REIMBURSEMENT OF FUNDS HAVE CAUSED DELAY IN DISBURSEMENT OF PROJECT ASSISTANCE. THE GOVERNMENT HAVE ALREADY TAKEN MEASURES FOR EXPEDITIOUS APPROVAL OF PROJECTS, RELEASE OF LOCAL FUNDS, LIMITED OFFICIAL USE

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CLEARANCE OF PROCUREMENT DECISIONS, CONTRACTS, AND EMPLOYMENT OF CONSULTANTS. MEASURES ARE ALSO BEING TAKEN TO STRENGTHEN THE PLANNING CELLS IN CORPORATIONS/ MINISTRIES/DIVISIONS, FOR SIMPLIFYING PROCEDURES FOR APPOINTMENT OF PROJECT STAFF AND FOR STRENGTHENING THE ACCOUNTING SYSTEM IN THE EXTERNAL RESOURCES DIVISION AND THE MINISTRY OF FINANCE. STEPS WILL ALSO BE TAKEN THIS YEAR TO IMPLEMENT THE RECOMMENDATIONS OF THE IMPORT CONTROL STUDY. THE GOVERNMENT ARE CONSTANTLY NEGOTIATING WITH THE DONOR COUNTRIES FOR SIMPLIFICATION OF THEIR

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PROCEDURES AND FOR GREATER DELEGATION OF DECISION MAKING POWERS TO THEIR LOCAL REPRESENTATIVES SO AS TO FACILITATE QUICKER DISBURSEMENT. ON THE BASIS OF VARIOUS MEASURES ALREADY INITIATED AND PLANNED FOR THIS YEAR, IT IS EXPECTED THAT DISBURSEMENT IN RESPECT OF MAJOR AIDED PROJECTS IN IRRIGATION, POWER, INDUSTRY, TRANSPORT AND COMMUNICATION SECTORS WILL ACCELERATE IN 1977-78. THE ESTIMATED PIPELINE OF PROJECT AID BY END OF 1977-78 WILL PROVIDE NECESSARY FLEXIBILITY IN PROJECT IMPLEMENTATION UNQUOTE.

6. MEDIUM-TERM OUTLOOK. THE SCALED DOWN FIRST FIVE-YEAR PLAN AND THREE-YEAR (HARD-CORE) PROGRAM BOTH END JUNE 30, 1978. IN VIEW OF DATA AND TECHNICAL MANPOWER LIMITATIONS, THERE IS TO BE AN APPROACH PLAN (1978-80) BEFORE THE SECOND FIVE-YEAR PLAN BEGINS JULY FIRST, 1980. (A) APPROACH PLAN. THIS IS YET TO BE WORKED OUT IN DETAIL, BUT IT IS TO HAVE QUOTE AN OVERWHELMINGLY RURAL BIAS WITH EMPHASIS ON INCREASE IN OUTPUT OF FOODGRAINS, PLUSES, EDIBLE OILS, FISH AND POULTRY FOR MEETING THE FOOD AND NUTRITIONAL GAPS UNQUOTE. HYV CROPS ARE TO BE EXPANDED. QUOTE TO PRESERVE FARMERS' INCENTIVES, RATIONAL PRICE AND PROCUREMENT LIMITED OFFICIAL USE

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PROGRAM WILL BE FOLLOWED UNQUOTE. FOOD FOR WORK IS TO BE INTENSIFIED. POPULATION CONTROL WILL CONTINUE TO HAVE THE HIGH PRIORITY ACCORDED AT PRESENT. EFFORTS WILL BE MADE TO SPEED UP PROJECT IMPLEMENTATION; (B) SECOND FIVE-YEAR PLAN (1980-85). QUOTE THE SECOND FIVE-YEAR PLAN MAY BE DRAWN WITHIN THE FRAMEWORK OF A PERSPECTIVE PLAN COVERING THE REST OF THE CENTURY. AND, IN THIS PLAN WHILE NOT IGNORING SHORT-TERM GROWTH PROSPECTS, EMPHASIS WILL BE GIVEN ON THE DEVELOPMENT OF SOCIO-ECONOMIC OVERHEADS, SETTING UP BASIC INDUSTRIES THAT WILL MAXIMIZE USE OF DOMESTIC RESOURCES, DIVERSIFY EXPORTS/REDUCE IMPORTS AND HELP MODERNIZATION OF AGRICULTURE. SUCH A DEVELOPMENT STRATEGY, THOUGH IT WILL

CONTINUEHARDSHIP IN THE MEDIUM-TERM, HOLDS A BETTER PROMISE OF LONG-TERM IMPROVEMENT IN THE QUALITY OF

LIFE UNQUOTE; (C) MACRO-ECONOMIC MAGNITUDES FOR 1978 TO 85. USING A 5PC ANNUAL GDP GROWTH RATE FOR THE APPROACH PLAN AND TWO (5PC AND 7PC RESPECTIVELY), FOR THE SECOND PLAN PERIOD, TWO BILLION DOLLARS OF NET FOREIGN AID INFLOWS (AT CURRENT PRICES) ARE REQUIRED DURING THE APPROACH PLAN PERIOD AND EITHER 5 BILLION (5PC GROWTH ASSUMPTION) OR 8 BILLION DOLLARS (7PC GROWTH ASSUMPTION) DURING THE SECOND FIVE-(\$3-4 0)-, 03RIOD. OTHER MAGNITUDES INCLUDE (DOLLARS MILLIONS AT TAKA 15.5 TO THE DOLLAR):

READING IN COLUMNS OF FOURS;

- APPROACH PLAN SECONDFIVE-YEARPLAN FIRST ASSUMPTION SECOND ASSUMPTI
ON

INVESTMENT, TOTAL 2.4 8.4 13.0

DOMESTIC SAVINGS 0.4 3.5 5.1

NET FOREIGN AID 2.0 4.9 7.9

INVESTMENT/GDP PERCENT(PC 16.6 16.7 22.9

DOMESTIC SAVINGS/GDP PC 4.5 7.0 9.0

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THIS WOULD BRING BANGLADESH TO THE FOLLOWING POSITION AT THE LAST YEAR OF THE PERIOD (DOLLARS BILLIONS WITH ANNUAL GROWTH RATES IN PARENTHESIS):

GDP AT 5/76 PRICES 6.13 (5PC) 7.8 (5PC) 9.1 (7PC)

(A) AGRICULTURE 3.3 (3PC) 8.8 (3PC) 4.1 (4PC)

(B) MANUFACTURING 0.5 (8PC) 0.9 (10PC) 1.3 (16PC)

(C) SERVICES 2.3 (7.4PC) 3.2 (6.5PC) 3.7 (8.2PC)

POPULATION(MILLIONS) 89.1 98.9 98.9

PER CAPITA INCOME (DOLLARS UNITS 69 (2.4PC) 79 (2.9PC) 92 (4.8PC)

7. COMMENTS: (A) THE OVERALL STRATEGY, WITH ITS EMPHASIS ON AGRICULTURE AND RURAL DEVELOPMENT AND GIVING ATTENTION TO POPULATION CONTROL REMAINS SENSIBLE AND APPROPRIATE, ALTHOUGH WE WOULD WISH TO SEE EVEN A HIGHER PROPORTION OF THE ADP DEVOTED TO THESE SECTORS. THE PERCENT PROBLEM, HOWEVER, IS ONE OF IMPLEMENTATION. THE MEASURES OF PAST PERFORMANCE ARE CONSIDERABLY EXAGGERATED. THE ADP EXPENDITURDC FOR 1976-77, FOR EXAMPLE, ARE CERTAINLY NOT TAKA BILLION AS ESTIMATED. AN EXPATRIATE REPRESENTATIVE OF ONE INSTITUTION HERE HAS BEEN PRIVATELY TOLD BY BDG OFFICIALS THAT THE NUMBER IS ACTUALLY ESTIMATED AT 9.65 BILLION. HIS OWN ESTIMATE IS 8.5 BILLION. WE NOTE IN THE DISCUSSION OF THE HARDCORE DEVELOPMENT PLAN, THE BDG ESTIMATES AN EXPENDITURE OF TAKA 17.7 BILLION FOR THE TWO YEARS ENDING JUNE 30, 1977. ASSUMING THE REVISED EXPENDITURE FOR 1975/76 IS ACCURATE AT TAKA 9.6 BILLION, THE 1976/77 EXPENDI-

TURE WOULD BE TAKA 8.1 BILLION. THIS WOULD BE A 16 PERCENT DECLINE IN 1976/77 OVER 1975/76. MOREOVER, THE ADP TARGET OF TAKA 12.8 BILLION FOR 1977/78 WOULD BE 58 PERCENT HIGHER THAN WHAT APPEARS TO BE THE PERFORMATMCE IN 1976/77. (ALTERNATIVELY, ACCEPTING THE 1976/77 ESTIMATE AT FACE VALUE, THE ACUTAL FOR 1975/76 WOULD BE 7.62 BILLION.) AGAINST THIS BACKGROUND, THE NEED FOR NEW AID COMMITMENTS, LIMITED OFFICIAL USE

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SPECIFICALLY PROJECT AID COMMITMENTS, APPEARS ARTIFICIALLY HIGH; (B) THERE ARE VERY FEW HARD POLICY COMMITMENTS IN THIS DOCUMENT, ESPECIALLY IN THE CRITICAL AREA OF FOOD POLICY. THE DIRECTION IS GOOD, BUT WE BELIEVE DONORS SHOULD PRESS AT THE BANGLADESH AID GROUP MEETING FOR FIRM COMMITMENTS ON SUCH ISSUES AS REDUCING CONSUMER SUBSIDIES AND INCREASING FARMGATE PRICES. WILL THE PRICE OF RATIONED RICE AND WHEAT BE RAISED IN FY 78? BY HOW MUCH? UP TO THE LEVEL OF PROCUREMENT PRICES?; (C) IT IS REFRESHING TO FIND THE BDG ESTIMATING ITS AID REQUIREMENTS AT SLIGHTLY LESS THAN THE IBRD; IN THE PAST, THE REVERSE HAS BEEN TRUE, BUT THE DIFFERENCES ARE NOT REALLY IMPORTANT. BOTH THE BDG AND THE IBRD IN ITS REPORT (1469-BD), EXAGGERATE PAST PERFORMANCE AND THE AID REQUIREMENT FOR 77-78; (D) THE MEMORANDUM MAKES AN EXTENDED ANALYSIS OF THE ACTUAL PERFORMANCE OF THE DONORS IN MEETING THEIR PLEDGES (PARTICULARLY FOR FOOD AID) MADE AT LAST YEAR'S AID GROUP MEETING. IN THSQCONCLUDING STATEMENT ON THE PROBLEMS OF AID DISBURSEMENT THE REPORT STATES QUOTE IT IS EXPECTED THAT THE DONORS WILL ENSURE THAT THE LEVEL OF AID COMMITMENT AND DISBURSEMENT CAN BE MAINTAINED UNQUOTE. THE BDG HAS OVERLOOKED THE FACT THAT SOME PLEDGES, SUCH AS OUR OWN, WERE HIGHLY QUALIFIED STATEMENTS WHEREIN THE ULTIMATE COMMITMENT DEPENDED UPON ACUTAL NEED AND THE READINESS OF THE BDG TO RECEIVE AND IMPLEMENT THE AID. WE THEREFORE REITERATE OUR PREVIOUS RECOMMENDATION THAT NO FORMAL PLEDGE FOR FOOD AID, EXPRESSED EITHER IN TERMS OF TONNAGE OR DOLLARS, BE EXPRESSED AT THE UPCOMING PARIS MEETING; (E) WE ARE RECOMMENDING SEPTEL AN APPROACH ON FOOD AID COORDINATION IN LIGHT OF OUR EXPERIENCE IN 1976-77 AND PREVIOUS. MASTERS

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